

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 EUR-12 AID-05 CIAE-00 COME-00

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FM AMEMBASSY VIENTIANE

TO AMEMBASSY BERN

AMCONSUL ZURICH

AMEMBASSY BONN

AMCONSUL MUNICH

INFO SECSTATE WASHDC 2938

LIMITED OFFICIAL USE VIENTIANE 1892

E.O. 11652: N/A

TAGS: EINV, BGEN, LA

SUBJECT: ALLEGED EUROPEAN LOAN TO LAO DEVELOPMENT COMPANY

1. ACCORDING TO RECENT ARTICLE IN VIENTIANE POST, A EUROPEAN INVESTMENT COMPANY HAS GRANTED 50 MILLION U.S. DOLLAR LOAN TO GROUP OF LAO BUSINESSMEN FOR CONSTRUCTION OF PAPER PULP FACTORY AND SUGAR MILL IN LAOS. NAME OF LAO COMPANY CONCERNED IS SOCIET INDUSTRIELLE ET COMMERCIALE DE DEVELOPPEMENT DU LAOS (SICDEL). MARKETING DIRECTOR FOR SICDEL, MAX GERHARDT, TOLD EMBASSY ECONOMIC/COMMERCIAL OFFICERS THAT 50 MILLION DOLLAR LOAN IS BEING PROVIDED BY THE EURO-AFRO-ASIATIC TRUST, PRIVATE EUROPEAN INVESTMENT GROUP OPERATING OUT OF ZUIRCH BUT REGISTERED IN LIECHTENSTEIN. ACCORDING TO GERHARDT, THIS EUROPEAN INVESTMENT COMPANY HAS BEEN IN OPERATION SINCE 1968, WITH ORIGINAL CAPITAL FORMATION OF 200 MILLION DOLLARS. HE CLAIMED IT WAS INVESTMENT BROKERAGE FIRM OWNED PRINCIPALLY BY MARTINI GROUP. GERHARDT STATED THIS EUROPEAN GROUP HAD AGREED TO LOAN SICDEL 70 PERCENT OF TOTAL INVESTMENT FUNDS NEEDED FOR SETTING UP SUGAR MILL AND PAPER PULP FACTORY IN LAOS AT AN INTEREST OF 10 PERCENT ON ITS LOAN. GERHARDT FURTHER STATED THAT EURO-AFRO-ASIATIC TRUST HAD

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SECURED INSURANCE ON ITS LOAN AGAINST POLITICAL RISKS THROUGH

OPIC.

2. GERHARDT ADDED THAT, UNDER THE TERMS OF THE LOAN, THE GERMAN COMPANY KRAUSS-MAFFEI, LOCATED IN MUNICH, WOULD FURNISH MANAGEMENT FOR PAPER MILL AND SUGAR FACTORY. HE SAID KRAUSSMAFFEI HAD BEEN CHOSEN BECAUSE THEY HAVE PATENT ON PROCESS FOR MAKING PAPER PULP BY PROCESSING BAMBOO AND BAGASSE.

3. WE HAVE NO KNOWLEDGE OF ANY OPIC GUARANTEE FOR SUCH A PROJECT. IT DOES NOT APPEAR THAT ANY U.S. FIRMS ARE INVOLVED, AND ONLY U.S. FIRMS ARE ELIGIBLE FOR THIS INSURANCE. ALSO, NO FEASIBILITY STUDY FOR THIS PROJECT, WHICH WOULD BE MAJOR ONE IN LAO CONTEXT, SEEMS TO HAVE BEEN DONE. NOR DID GERHARDT INDICATE WHERE REMAINING INVESTMENT FUNDS WOULD COME FROM IF EUROPEAN FIRM DID INDEED PROVIDE 70 PERCENT OF PROJECTED COSTS OF PROJECT.

4. FOR AMCONGENS ZURICH AND MUNICH:

EMBASSY VIENTIANE WOULD APPRECIATE ANY INFORMATION POST CAN PROVIDE ON SUBJECT OF LOAN AND MANAGEMENT CONTRACT FOR THIS PROJECT.

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Message Attributes

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